

CONFIDENTIAL

PHILIP MORRIS U.S.A. - SUBMISSION TO CORPORATE PRODUCTS COMMITTEE

MONTHLY MEETING OF: November, 1987

PRODUCT INTRODUCTION

Brand Name:	Elan Thins from Virginia Slims
Action Date:	Feb. 29, 1988
New Product ():	Flanker Brand
Test Markets (X):	

PRODUCT SPECIFICATIONS

Cigarette:

	<u>100mm Regular</u>	<u>100mm Menthol</u>
Circumference	17.0 mm	17.0 mm
Length	98.5 mm	98.5 mm
Tipping Length	36.0 mm	36.0 mm
Tipping Color	White/Grey Stripe	White/Grey Stripe
Filter Length	31.5 mm	31.5 mm
Type of Filter	CA	CA

Delivery Levels:

	<u>100mm Regular</u>	<u>100mm Menthol</u>
Tar	9.0 mg	9.0 mg
Nicotine	0.8 mg	0.8 mg
Puffs/cigarette	9.0	9.0
% Dilution	50	50
RTD	6.5	6.5
Menthol (in smoke)	-	0.5

Packaging:

Cigarettes per Pack	20	20
Type of Pack	14's Box w/ modified innerframe	14's Box w/ modified innerframe
Carton Configuration	2 x 5	2 x 5

PRICING STRATEGY

Full Margin

PROJECTED Performance (Test Market-12 months)

Unit Volume: 80.0 million units (0.50 SOM)
Price \$38.65 Per M (standard)
Total Sales (\$): \$3,092,000
Marginal Contribution/1000: \$20.84 Regular; \$20.82 Menthol
Total Marketing Expense: \$7.4MM

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MARKETING OBJECTIVE & STRATEGY

RATIONALE

This brand is a direct challenge to Capri. The product will be the same size and circumference (100mm, 17mm circ.) and white tipped. The packaging will be a white box with colorful logo on the front. The advertising is very striking and feminine, with a strong cosmetic feel. It will be introduced as a flanker brand, with a small "From Virginia Slims" in the ads and on the packs.

Elan Thins is to be positioned as a new ultra thin cigarette especially for women. The thinness gives the product a uniqueness and elegance that makes the user think "Smoking never felt so right before". The sleek new shape makes the product the most contemporary cigarette available today. For a woman to smoke Elan, she is indicating that she is a leader in terms of style and fashion.

Discussion

There is no question Capri will have a major impact on Virginia Slims. In the original test market, Louisiana, 38% of all converters to Capri came from the Virginia Slims franchise. It is estimated that the brand will lose as much as one third of a share point to Capri. A recent advertising shift by Capri shows they intend to directly challenge the V.S. positioning.

While the Elan Thins launch is primarily a defensive effort, to reduce cannibalization to Capri, it also has offensive benefits. Market Research indicates this product has a potentially older and more sophisticated smoker base, thereby expanding the Virginia Slims franchise. However, there are downside risks to be monitored in test marketing, including segment potential, inner-brand cannibalization, franchise diffusion and effect on overall brand positioning. Another factor to be considered is on-going support for Elan Thins. Since this is a flanker brand, not a line extension, this product cannot be tucked back into the mainline business, but will need on-going point-of-sale and advertising support.

Considering the above and the current performance of Capri, Brand is recommending test marketing of Elan Thins in March, 1988. Two markets have been selected: Atlanta, a strong V.S. market and Sacramento an average area for the brand.

Introductory Program

The Elan Thins introduction will concentrate on direct mail and targeted promotions to reach the consumer group that might be interested in a product of this type. Overall, spending will be \$7.4MM, which translates to a \$55MM national introduction.

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